

**TENNESSEE LOCAL DEVELOPMENT AUTHORITY**  
**October 29, 2015**

The Tennessee Local Development Authority (the “Authority” or “TLDA”) met on Thursday, October 29, 2015, at 10:00 a.m. in the Executive Conference Room, State Capitol, Nashville, Tennessee. The Honorable Tre Hargett, Secretary of State and Vice Chair, was present and presided over the meeting.

The following members were also present:

The Honorable Justin Wilson, Comptroller of the Treasury  
 Whitney Goetz, Proxy for the Honorable David Lillard, State Treasurer  
 Angela Scott, Proxy for Commissioner Larry Martin, Department of Finance and Administration  
 Dr. Kenneth Moore, House Appointee

The following member participated telephonically as authorized by Tennessee Code Annotated Section 8-44-108 and as posted in the meeting notice:

Mr. Pat Wolfe, Senate Appointee

The following member was absent:

The Honorable Bill Haslam, Governor

Recognizing a physical quorum present, Mr. Hargett called the meeting to order.

Mr. Lillard asked for a motion to approve the minutes of the August 12, 2015 meeting. Mr. Wilson made a motion to approve the minutes, and Mr. Hargett seconded the motion. Mr. Hargett performed a roll-call vote:

Mr. Wolfe—Yes  
 Ms. Scott—Yes  
 Mr. Wilson—Yes  
 Mr. Hargett—Yes  
 Ms. Goetz—Yes  
 Dr. Moore—Yes

The motion passed unanimously.

Mr. Hargett recognized Ms. Alexa Voytek of the Office of Energy Programs (OEP) in the Tennessee Department of Environment and Conservation (TDEC) to provide an update on Qualified Energy Conservation Bond (QECB) projects. Ms. Voytek provided an update on each project:

City of Memphis:

- Crosstown Concourse—This issuance of \$8,316,000 closed on February 18, 2015. Following a requisition workflow process established by involved city agencies Housing and Community Development, Office of Sustainability, and Division of Finance, Crosstown has successfully drawn down \$2,995,815.40 in QECB proceeds to date. The first draw of \$1,472,392.62 was completed on June 30, 2015. Draw requests are accompanied by a Buy American certification and statement of energy conservation to ensure compliance. Davis Bacon was determined not to apply to the Crosstown Concourse project. Office of Sustainability conducted Portfolio Manager initial training with the Crosstown development team in order to prepare them for reporting energy savings over a five-year period once the project is completed.

- **Knowledge Quest**—The issuance for this project which had an allocation of \$3.8 million closed on April 29, 2015. A pre-construction meeting with Knowledge Quest, the selected contractor, Housing and Community Development, and Office of Sustainability was conducted on August 26, 2015 in order to begin the QECB activities in October 2015. Once the project begins, it is expected to take eight (8) months to complete. Once Knowledge Quest submits its first draw request, Office of Sustainability will schedule a Portfolio Manager training to instruct the Knowledge Quest team on process for reporting energy data.
- **Self Tucker/Universal Life**—The issuance for this project which had an allocation of \$350,000 closed on April 29, 2015. A requisition workflow meeting was held on August 25, 2015 with Self Tucker Properties, Housing and Community Development, and Office of Sustainability to finalize details associated with the QECB project preparation. A groundbreaking event for the Universal Life Insurance Building project is scheduled for September 29, 2015, and QECB activities will begin in October 2015. Once Self Tucker Properties submits its first draw request, Office of Sustainability will schedule a Portfolio Manager training to instruct the Self Tucker team on process for reporting energy data.

**Knox County:** OEP had recommended and TLDA had approved a \$12.5M suballocation for the installation of solar PV on 13 targeted sites across the county, notably public school rooftops. The project was given an initial 180 day issuance to May 19, 2015. A 60-day request for extension was approved by OEP on April 2, 2015. The suballocation project for Knox County of \$12,450,000, which will fund the installation of solar PV on 13 targeted sites across the county, closed on June 30, 2015. Currently, all sites are expected to be operational by December 31, 2015.

**City of Lebanon:** OEP had recommended and TLDA had approved a \$3.5M suballocation for the construction and installation of a waste-to-energy gasification unit. The project was given an initial 180 day issuance to April 6, 2015. A 60-day request for extension was approved by OEP on April 2, 2015. Issuance on this project closed on April 24<sup>th</sup>, 2015. The City of Lebanon is working with PHG Energy, which has a five to seven member team in place. Air Quality permits were issued on July 1<sup>st</sup>, 2015, and will remain effective through June 30, 2016.

**Large Local Jurisdictions (LLJ) Allocations:** The City of Clarksville is still working to finalize details for the bond issuance associated with the city's Large Local Jurisdiction (LLJ) allocation of \$1,241,344 to be used for a street lighting improvement project. Clarksville has signed the relevant contracts with the bidder. Bond issuance is expected in late 2015 or early 2016. Chattanooga and Hamilton County are evaluating projects for which they will use their QECB allocations.

Ms. Voytek stated that to date no formal proposals had been submitted under the third Request for Proposal (RFP) but that OEP continues to receive inquiries from potential applicants. She stated that an allocation summary was provided in the meeting materials.

Mr. Hargett stated the next item of business was a report on delayed State Revolving Fund (SRF) projects and revisions to SRF loan agreements. He recognized Mr. Sherwin Smith, Manager of the TDEC's SRF loan program to present the item. Mr. Smith stated that TDEC identified four projects which had encountered delays for various reasons, causing them to go past the initial project schedules. (A list of the projects was included in the meeting materials.) Mr. Smith stated that TDEC, its General Counsel, and Mr. David Burn from the Financial Division of the Office of the Tennessee Attorney General, worked with these entities to reach a resolution to amend their project schedules to allow them to retain their allocation. He explained each community had been contacted about the delays, and each had expressed a commitment to utilize the funding for which they had been approved. Mr. Smith stated that although this type of situation is rare, TDEC decided to add language in the special conditions section of SRF loan agreements to clearly address non-adherence to project schedules and potential consequences. (The loan agreements to be presented at this meeting and in the future would include this language.) He stated that in the event a borrower does not obtain proper approval for an extension of its projects schedules, TDEC would notify the Authority to determine an appropriate course of action. Mr. Hargett asked Mr. Smith about the risk of borrowers using SRF funds for purposes unrelated to their projects. Mr. Smith responded that TDEC reviews all reimbursement requests very stringently and would not approve requests outside of the scope of the project for which the loan was approved.

Mr. Hargett stated the next item of business was a request to approve Clean Water SRF loans and asked Mr. Smith to present the loan requests. Mr. Smith first presented the report on unobligated fund balance, which was \$168,830,409 as of June 23, 2015. The fund balance increased \$45,626,354 which brought the unobligated balance to \$214,456,763. Mr. Smith stated that part of this increase was from a voluntary return of funds by one of the entities with an expired project schedule. He stated that upon approval of the loan requests to be presented in the amount of \$21,920,000, the funds available for loan obligations would decrease to \$192,536,763. He then presented each loan request:

- Gordonsville (CW4 2016-358)—Requesting \$608,500 (\$565,905 loan; \$42,595 principal forgiveness) for collection system expansion; recommended interest rate of 2.15% based on the ATPI.
- Gordonsville (SRF 2016-359)—Requesting \$61,500 for collection system expansion; recommended interest rate of 2.15% based on the ATPI.

Mr. Smith stated that SRF 2016-359 was a companion loan to CW4 2016-358 which used up the remaining subsidy in that grant.

- Jackson Energy Authority (CG2 2016-363)—Requesting \$2,000,000 for wastewater treatment plant (WWTP) improvements; recommended interest rate of 1.43% based on the ATPI.
- Springfield (SRF 2016-360)—Requesting \$19,250,000 for collection system rehabilitation, Phase I; recommended interest rate of 1.35% based on the ATPI.

Mr. Hargett moved to approve the Drinking Water SRF loans, and Mr. Wilson seconded the motion. Mr. Hargett performed a roll-call vote:

Dr. Moore—Yes  
 Ms. Goetz—Yes  
 Mr. Hargett—Yes  
 Mr. Wilson—Yes  
 Ms. Scott—Yes  
 Mr. Wolfe—Yes

The motion passed unanimously.

Mr. Hargett stated the next item of business was a request to approve Drinking Water SRF loans and asked Mr. Smith to present the loan requests. Mr. Smith first presented the report on unobligated fund balance, which was \$35,921,805 as of August 12, 2015. The fund balance increased \$16,275,395 which brought the unobligated balance to \$52,197,200. Upon approval of the loan requests to be presented in the amount of \$1,397,000, the funds available for loan obligations would decrease to \$50,800,200. He then presented each loan request:

- Hohenwald (DW4 2016-167)—Requesting \$260,000 (\$195,000 loan; \$65,000 principal forgiveness) for waterline extension (installation of approximately 28,000 linear feet of waterlines along Summertown Highway to provide water service to 90 households); recommended interest rate of 0.71% based on the ATPI.
- Troy (DWF 2016-156)—Requesting \$981,000 for a new 700 gallons per minute (GPM) water treatment plant; recommended interest rate of \$0.47% based on the ATPI.
- Troy (DWF 2016-168)—Requesting \$156,000 for water distribution system improvements (new waterline); recommended interest rate of \$0.47% based on the ATPI.

Mr. Smith stated that the Town of Troy has two previously approved SRF loans. However, because bids had come in higher than expected, the Town was requesting additional SRF funding. He said that although the Town's debt service was high with respect to its state-shared taxes, rates were sufficient to repay the loans. He recommended approval of the loan requests to the Authority.

Mr. Hargett moved to approve the Drinking Water SRF loans, and Mr. Wilson seconded the motion. Mr. Hargett performed a roll-call vote:

Mr. Wolfe—Yes  
 Ms. Scott—Yes  
 Mr. Wilson—Yes  
 Mr. Hargett—Yes  
 Ms. Goetz—Yes  
 Dr. Moore—Yes

The motion passed unanimously.

Mr. Hargett recognized Ms. Sandra Thompson, Director of the Office of State and Local Finance (OSLF), to discuss the annual review of the TLDA's debt management policy. Ms. Thompson stated that the debt management policy for the Authority requires that the policy be reviewed at least annually. She said that staff had circulated the policy to Authority members, and staff had also conducted their own review of the policy. She stated that staff had not received any recommendation for any amendments, deletions, improvements or clarifications at this time. No action was required for the debt management policy.

Mr. Hargett stated the next item of business was a request from Minor Hill Utility District (the District) to issue USDA debt in an amount not to exceed \$1,042,000. He recognized the District's bond counsel, Mr. Jeff Oldham of Bass, Berry & Sims, PLC, to present to request. Mr. Oldham stated that the District had been awarded a \$1,042,000 loan accompanied by a grant of \$858,000. He explained that the District currently buys its water from two suppliers: The City of Pulaski, TN and the Limestone County Water and Sewer Authority (LCWSA) located in Alabama. He said that the LCWSA has a limited supply capacity, and extreme draught conditions had threaten the District's water supply. In the summer of 2012, the District was temporarily unable to provide water to its residents, resulting in a public health issue. The project would enable the District to procure and distribute all of its water from the City of Pulaski, which has ample capacity. He explained that given the urgency of the project, the District engaged engineers and consultants to proceed as quickly as possible. However, the District did not realize the need for the Authority's consent until the requirement was identified by its bond counsel. (Section 7(m) of the SRF loan agreement for utility districts requires borrowers to seek the approval of the Authority before issuing additional debt payable from the revenues of the system.) Mr. Oldham stated that the District meets the conditions set forth in the loan agreement, except that it had not published audited financial statements for its fiscal year ended December 31, 2014. He explained that the District experienced significant management turnover in 2012 and affecting its audit process. He said financial statements for fiscal year 2012 were published in August 2014. The 2013 audited statements were published in August 2015. He stated that the District has since remedied these financial accounting deficiencies. The 2014 audited statements are expected to be published by December 31, 2015 (within 12 months of its fiscal year end). The 2015 audited statements are expected to be published within 6 months of its fiscal year end. Mr. Wilson asked about the lien position of the USDA debt to the SRF debt. Mr. Oldham replied that the proposed USDA debt would be issued on a subordinate basis to the SRF debt. Ms. Thompson stated that the District did meet the 1.20 times debt service coverage requirement as stipulated in the loan agreement. Mr. Wilson made a motion to approve the request to issue additional USDA debt, and Dr. Moore seconded the motion. Mr. Hargett performed a roll-call vote:

Mr. Wolfe—Yes  
 Ms. Scott—Yes  
 Mr. Wilson—Yes  
 Mr. Hargett—Yes  
 Ms. Goetz—Yes  
 Dr. Moore—Yes

The motion passed unanimously.



Mr. Hargett stated the next item of business was consideration of a request from the City of Franklin (the "City") to amend the TLDA subordination policy for municipalities. Mr. Hargett stated that a potential conflict of interest existed because Dr. Moore was the Mayor of the City of Franklin and a TLDA board member. He asked Mr. Burn to advise on Dr. Moore's participation on this item. Mr. Burn recommended that Dr. Moore recuse himself from participating as an Authority member but advised that he could participate in the presentation of the request on behalf of the City. Dr. Moore concurred and recused himself from participating as an Authority member. Dr. Moore introduced Mr. Eric Stuckey, City Administrator, and Mr. Russ Truell, Chief Finance Officer, representatives of the City of Franklin. Dr. Moore stated that the City is asking the Authority to consider amending its SRF subordination policy so that municipalities would have similar requirements as Utility Districts. The City proposed that municipalities could have a higher debt service ratio requirement of 1.45 times. (The requirement for UD's is 1.20 times.) He stated that Franklin is a fast-growing city and is undertaking a variety of projects due to this rapid growth, including water and wastewater projects. He stated that the City is seeking borrowing opportunities in order to expand the wastewater plant and renovate the water treatment plant to meet growing needs. He stated that the current SRF subordination policy may cause the City to incur a higher borrowing costs in the open-market. Therefore, the City is requesting the Authority to consider allowing municipalities to have the same requirements as UD's for issuing additional debt payable from the system's revenues but with a higher debt service requirement. (A memo from the City describing the request was included in the meeting materials.)

Mr. Stuckey stated that the SRF program is a great opportunity to secure financing for necessary projects, and the City wants to do so in a way that is financially responsible for the community and protective of the SRF loan program. He said that the City would like to work with the TLDA to find a resolution that is amenable to both parties. Mr. Truell stated that the City is high on the SRF priority ranking list, but was concerned they may not get the total amount of requested funds (\$100 million) from the SRF program which may put them in a position to go to the open-market to issue debt. Mr. Smith stated that the City was not guaranteed the \$100 million which it had requested. Mr. Wilson asked Mr. Truell to clarify if the request involved the priority of both existing and future SRF loans. Mr. Truell responded affirmatively. Mr. Truell stated that having multiple liens on the system's revenues would likely result in higher borrowing costs to the City. Mr. Wilson stated that he was not comfortable with changing the priority of existing loans, but he may be open to considering the priority of future loans. Mr. Hargett commented that the City of Nashville had a similar request in the past, and the TLDA did not approve that request. Therefore, Nashville chose to refund out of the SRF program. Mr. Hargett and Mr. Wilson both expressed concern that any decision made by the Authority would set a precedent; and therefore, careful consideration of the request was necessary. Mr. Hargett stated that he was not prepared to make a decision today and recommended that the City meet with TDEC for further discussion. Mr. Hargett asked the Authority members if anyone would like to make a motion. No motions were made. However, Mr. Hargett stated that the Authority may consider the request again in the future if necessary.

Hearing no other matters to come before the Authority, Mr. Hargett made a motion to adjourn, and Mr. Wilson seconded the motion. Mr. Hargett performed a roll-call vote:

Mr. Wolfe—Yes  
 Ms. Scott—Yes  
 Mr. Wilson—Yes  
 Mr. Hargett—Yes  
 Ms. Goetz—Yes  
 Dr. Moore—Yes

The meeting was adjourned.

Approved on this 7<sup>th</sup> day of December, 2015.

Respectfully submitted,

  
 Sandra Thompson  
 Assistant Secretary